

207. In its Comments in Illinois' CC Docket 96-98, Ameritech provided insight into its concept of the "residual" by providing a break-down of its total revenues for Ameritech Illinois (on a base of \$2.4 billion) into economic and uneconomic costs. The analysis, performed consistent with the ICC's LRSIC rules,⁶⁶ generated the following results:⁶⁷

Incremental costs	55%
Joint cost	12%
Common cost	15%
Residual	18%

208. The last category "residual" is defined by Ameritech as "in general, residual cost include, among other things, embedded or historical costs."⁶⁸ Ameritech also notes that "residual costs include, among other things, the costs of a service that are not included in LRSIC."

209. Alternatively, the "residual" can also be viewed as a measure by which the company is *over-earning*, since in efficient markets the company should earn revenues no greater than the true economic costs of providing service. Since Ameritech, strictly speaking no longer has a revenue requirement, the Commission has no way of knowing whether the "residual" -- which is the difference between Ameritech's *revenues* and Ameritech's economic *costs* -- represents embedded inefficiencies

⁶⁶ The ICC's LRSIC costs do not include many of the shared costs that are directly allocated under the FCC's TELRIC methodology. A large share of the shared and common costs identified under the ICC's LRSIC methodology, therefore, are directly absorbed under the FCC's TELRIC methodology. This means that, under a TELRIC methodology, the 55% of all costs identified as Incremental Costs would be higher, and the 12% and 15% identified as shared and common costs, respectively, would be lower. In fact, Ameritech's own testimony in Illinois states that "we determined that TELRICs are 13% higher than LRSICs." ICC Docket 96-0486, Palmer, page 24.

⁶⁷ CC Docket 96-98, Ameritech Comments, pp. 63 through 69.

⁶⁸Id, footnote, p. 68.

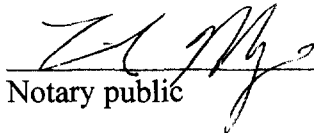
or simply *profit*.

210. Clearly, “residuals” are inconsistent with the FCC’s interpretation of the statute’s provisions. Furthermore, they are inconsistent with the goal of making local markets competitive. In competitive markets, companies do not have the luxury of being able to turn to regulators with a request to recover their inefficiently incurred costs. In competitive markets, if costs are inefficiently incurred, they are absorbed by the company. Ameritech’s plan to ask regulators to shield it from the impact of competition with assured recovery -- *from its competitors* -- of costs that are inefficiently incurred is antithetical to Ameritech’s claim that the local market in Michigan is, or will be, competitive.

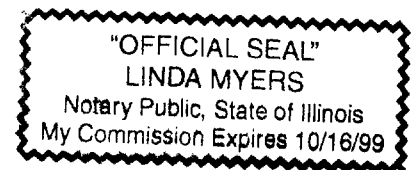
I hearby swear, under penalty of perjury, that the foregoing is true and correct, to the best of my knowledge and belief.


August H. Ankum

Subscribed and sworn before me this 5th of JUNE, 1997.


Notary public

My Commission expires: 10/16/99



MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-11280

	A	B	C
Unbundled Element	Ameritech Proposed Rate	Rate after MCI / AT&T Modifications	Percentage Difference (A-B)/A

UNBUNDLED LOCAL SWITCHING

Basic Port	\$7.30	\$3.95	45.89%
Ground Start Port	\$7.87	\$4.28	45.62%
ISDN Direct Port	\$37.50	\$23.69	36.83%
ISDN Direct Port Number	\$0.01	\$0.01	0.00%
DID Port	\$16.46	\$9.72	40.95%
DID Port Number	\$0.01	\$0.01	0.00%
ISDN Prime Port	\$179.01	\$130.06	27.34%
ISDN Prime Port Number	\$0.01	\$0.01	0.00%
ADTS Port	\$134.15	\$82.70	38.35%
Centrex Basic Port	\$12.98	\$7.48	42.37%
Centrex ISDN Port	\$61.81	\$38.79	37.24%
Centrex Console	\$118.35	\$73.53	37.87%
Centrex System Features	\$414.50	\$257.53	37.87%
Centrex EKL Port	\$37.85	\$22.98	39.29%
Local Switching Trunk Port	\$116.74	\$72.12	38.22%
Basic Port w/o Features	\$2.75	\$1.67	39.27%
Ground Start Port w/o Features	\$3.32	\$2.01	39.46%
Local Switching Usage (per minute)	\$0.00354	\$0.00237	33.05%

SERVICE COORDINATION FEE

Service Coordination Fee	\$0.96	\$0.84	12.50%
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UNBUNDLED TANDEM SWITCHING

Usage w/o Trunks	\$0.0006842	\$0.0005206	23.91%
Tandem Trunks (DS1)	\$129.34	\$79.66	38.41%
Trunk Features	\$23.76	\$14.49	39.02%

LOCAL TRANSPORT & TERMINATION

End Office Local Termination	\$0.0045350	\$0.0033770	25.53%
Tandem Switching	\$0.0009630	\$0.0005960	38.11%
Tandem Transport Termination	\$0.0003050	\$0.0001890	38.03%
Tandem Transport Facility Mileage	\$0.0000080	\$0.0000050	37.50%
Combined EO, TS, TST, & LTF	\$0.0058050	\$0.0042410	26.94%

INTEROFFICE TRANSPORT

DS1 Entrance Facility	\$108.96	\$63.86	41.39%
DS1 CMT	\$17.15	\$10.84	36.79%
DS1 CM Per Mile	\$1.62	\$1.04	35.80%
DS1 to Voice Mux	\$390.85	\$247.17	36.76%

**MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-11280**

Unbundled Element	Source	A	B	C
		Ameritech Proposed Rate Note 1	Rate after MCI / AT&T Modifications Note 2	Percentage Difference (A-B)/A

UNBUNDLED LOOPS

RATE GROUP A

Basic Residence and Business Lines	\$11.65	\$6.87	41.05%
PBX / Ground Start Loops	\$12.33	\$7.39	40.06%
Coin Telephone Lines	\$11.65	\$6.87	41.06%
Electronic Key Lines	\$16.38	\$10.51	35.85%
4-Wire Analog	\$23.51	\$16.35	30.47%
2-Wire 160 Kbps (ISDN)	\$13.29	\$8.11	38.98%
HDSL / ADSL 2-Wire Compatible	\$11.65	\$6.87	41.05%
HDSL 4-Wire Compatible	\$23.51	\$16.35	30.47%
64 Kbps	\$70.41	\$46.63	33.77%
1.544 Mbps	\$109.03	\$64.40	40.93%

RATE GROUP B

Basic Residence and Business Lines	\$13.98	\$8.70	37.77%
PBX / Ground Start Loops	\$15.08	\$9.54	36.74%
Coin Telephone Lines	\$13.98	\$8.70	37.77%
Electronic Key Lines	\$21.59	\$14.54	32.64%
4-Wire Analog	\$30.37	\$21.71	28.52%
2-Wire 160 Kbps (ISDN)	\$16.62	\$10.69	35.65%
HDSL / ADSL 2-Wire Compatible	\$13.98	\$8.70	37.77%
HDSL 4-Wire Compatible	\$30.37	\$21.71	28.52%
64 Kbps	\$70.36	\$46.60	33.77%
1.544 Mbps	\$83.42	\$49.90	40.18%

RATE GROUP C

Basic Residence and Business Lines	\$16.58	\$10.76	35.13%
PBX / Ground Start Loops	\$17.54	\$12.05	31.28%
Coin Telephone Lines	\$16.58	\$11.21	32.36%
Electronic Key Lines	\$23.13	\$16.95	26.72%
4-Wire Analog	\$34.81	\$26.74	23.18%
2-Wire 160 Kbps (ISDN)	\$18.84	\$13.10	30.46%
HDSL / ADSL 2-Wire Compatible	\$16.58	\$11.21	32.36%
HDSL 4-Wire Compatible	\$34.81	\$26.74	23.18%
64 Kbps	\$70.17	\$46.47	33.78%
1.544 Mbps	\$75.87	\$45.55	39.96%

NON-RECURRING CHARGES

Service Order Charge (Per Order)	\$49.76	\$13.18	73.51%
Line Connection Charge (Per Loop)	\$42.41	\$19.33	54.42%

Note 1: Ameritech - Michigan Exhibit G, (O'Brien), Schedule 1, M.P.S.C.
No. 20R, Part 19, Section 2, Original Sheets 7,8,9

Note 2: MCI Exhibit 2, Attachment MS-3, "Comparison Sheet"

**MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-11280**

Unbundled Element	Source
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A	B
Ameritech Proposed Recurring (monthly)	Non- Recurring
Note 1	

C	D	E
MCI AT&T Proposed Recurring (monthly)	Non- Recurring	Percentage Difference
Note 2		[(A+B)-(C+D)]/(A+B)

PHYSICAL COLLOCATION

Order Charge / Per Order	\$281.44
C.O. Floor Space / Per 100 Sq. Ft.	\$840.10
C.O. Build Out / per Init'l 100 Squ. Ft. Fl Sp. Request, Per C.O.	\$29,401.26
C.O. Build Out / per Add'l 100 Squ. Ft. Fl Sp. Request, Per C.O.	\$12,583.19
Cable Vault Splicing / Per Initial Splice	\$206.24
Cable Vault Splicing / Per Subsequent Splice	\$15.09
Splice Testing / Per Initial Splice Test	\$47.37
Splice Testing / Per Subsequent Splice	\$2.78
Cable Pulling from Manhole to Cable Vault / Per First Foot	\$224.03
Cable Pulling from Manhole to Cable Vault / Per Additional Foot	\$1.11
Cable Pulling from Cable Vault to the Transmn Node / Per First Ft.	\$83.59
Cable Pulling from Cable Vault to Transmn Node / Per Addtl Ft.	\$0.84
Riser Space / Per Foot	\$1.26
Entrance Conduit / Per Inner Duct, Per Foot	\$0.07
Power Consumption / Per Fuse AMP	\$6.55
Power Delivery / Per Power Lead	\$1,717.54
200 Cond Electrical X-Connect Block / Per X-Connect Block	\$81.86
Digital X-Connect Panel (DSX) / Per DSX-3 Termn (1 DS3 Term)	\$19.49
igital X-Conn. Panl (DSX) / Per DSX-1 Termn (up to 56 DS1 Termns)	\$61.05
Optical X-Connect Panel (OCX) / Per OCX Panel Segment	\$7.32
Transmission Node Enclosure / Per Initial 100 Sq. Ft.	\$4,358.52
Transmission Node Enclosure / Per Add'l 100 Sq. Ft.	\$1,721.32
assive Bay Termination (includes Bay and Panel) / DS1 Termination	\$0.68
assive Bay Termination (includes Bay and Panel) / DS3 Termination	\$8.60
00 Cond Elec Term Blk (Outside Transmn Node) / Per termn Block	\$81.86
Digital Timing Source / Per Sync Signal Provided	\$16.41
DS1 Repeater	\$7.63
DS3 Repeater	\$44.24
Diverse Riser / Per Floor Traversed	\$529.60
Space Reservation / Change - Per Ea. Request	\$696.44
Cancellation Charge	\$4,324.92

	\$61.26	78.23%
\$380.32		54.73%
		Note 3
		Note 3
	\$181.40	12.04%
	\$13.28	12.02%
	\$41.66	12.05%
	\$2.45	11.92%
	\$197.05	12.04%
	\$0.98	11.76%
	\$73.53	12.05%
	\$0.74	12.03%
\$0.97		22.89%
\$0.05		30.63%
\$5.76		12.05%
	\$1,510.68	12.04%
\$55.71		31.95%
\$13.26		31.94%
\$41.54		31.95%
\$4.95		32.30%
\$53.80		Note 4
\$21.25		Note 4
\$0.50		26.78%
\$6.35		26.08%
\$55.71		31.95%
\$11.17		31.94%
\$5.19		32.00%
\$30.10		31.96%
\$6.54		Note 4
	\$61.26	91.20%
	\$61.26	98.58%

Note 1: Ameritech-Michigan Ex. G. (O'Brien), Schedule 1, M.P.S.C. No. 20R, Part 19, Section

Note 2: MCI Exhibit 2, Attachment MS-5, "Comparison Sheet"

Note 3: C.O. Build Out charges were combined with "Floor Space" charges

Note 4: MCI's proposal would require monthly charges instead of up-front charges

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Application of Ameritech Michigan Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In- Region, InterLATA Services in Michigan

CC Docket No. 97-137

**Exhibit F:
Affidavit of Dennis L. Ricca
on Behalf of MCI Telecommunications Corporation**

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the matter of)	
)	
Application of Ameritech)	
Pursuant to Section)	CC Docket No. 97-137
271 of the Telecommunications)	
Act of 1996 to Provide)	
In-Region, InterLATA Services)	
In Michigan)	

**AFFIDAVIT OF DENNIS L. RICCA
ON BEHALF OF MCI TELECOMMUNICATIONS CORPORATION**

I, Dennis L. Ricca, being duly sworn, do hereby depose and state as follows:

Qualifications

1. I hold a Master of Science Degree in Mathematics from the University of Northern Iowa in 1979 and a Bachelor of Science Degree from Western Illinois University in 1972. I have worked in the telecommunications field since 1983, initially at Teleconnect Company which later, as Telecom*USA, merged with MCI. I have been involved with regulatory issues since 1984.

2. My current position is Senior Regulatory Analyst for Regulatory and Legislative Affairs for MCI's Northern Region. My business address is 205 N. Michigan Avenue, Suite 3700, Chicago, IL 60601. My major responsibilities include analysis of decisions issued by governmental regulatory agencies, preparation and submission of documents and comments to state regulatory agencies in the twelve states served by Ameritech and NYNEX in response to

government inquiries, proposals and tariff filings.

3. I presented testimony for MCI in the state commission's generic docket to set a permanent resale discount in Michigan.

Purpose.

4. The purpose of this affidavit is to demonstrate that the non-recurring charges imposed on resale transactions and the absence of a permanent wholesale discount act as significant barriers to competitive local exchange carriers' (CLECs') entry in the local telephone exchange market in Michigan and frustrate the development of resale services as a competitive alternative to the services offered by Ameritech Michigan.

Non-Recurring Charges

5. Ameritech has imposed a significant barrier to MCI's entry into the local market in Michigan by setting high non-recurring charges (NRCs) in connection with resold basic services. In particular, Ameritech proposes a series of non-recurring charges totaling \$131.50 to be applied to each customer who switches from Ameritech local service to MCI's resale of Ameritech's local service. This is inappropriate and inconsistent with the statute because there are no underlying network costs associated with the simple conversion of an existing retail customer to MCI's wholesale service nor does Ameritech impose analogous charges on its own retail customers for a similar type of change.

6. The only costs associated with transferring a customer from Ameritech retail to MCI resale of Ameritech services is for a billing change from a retail account charged to the customer to a wholesale account charged to MCI. There are no network connection costs of any

kind.

7. When Ameritech's retail customers make similar changes, that require a change only to the information in the customer's account, Ameritech simply assesses a service charge of \$8.35. Likewise, when Ameritech customers change their interLATA primary interexchange carrier (PIC), Ameritech assesses only a \$5.00 charge. This \$5.00 charge not only covers the costs of making the appropriate changes to the billing and customer record accounts, it also covers the costs of changing the PIC in the switch.

8. In remarkable contrast, when a customer switches to MCI's resold Ameritech service, which imposes only the types of costs discussed above (and not even all of them), Ameritech imposes a total of \$131.50 in non-recurring charges on MCI. This is broken down as follows: a \$42.00 line connection charge, a \$44.50 charge for Universal Service Order Code (USOC) 1CRJ1, and a \$45.00 charge for USOC V1N.

9. When questioned about the \$42.00 line connection charge, Ameritech personnel have insisted that it applies to resold services, even when sold "as is," but admitted that this does not reflect the wholesale discount applicable to resale of retail services. With the discount, the charge would be \$32.76. Even this "discounted" rate is inappropriate, however, because it does not represent a relevant discounted retail charge, as Ameritech does not impose a \$42.00 on its retail customers, for making billing changes. Billing change charges, not line connection charges, are the appropriate retail analogy because the only service being requested from Ameritech is a billing change. No line connection is needed. When an Ameritech customer changes from Ameritech retail service to MCI retail service provided through resale, absolutely

Ricca Affidavit

Page 4 of 6

no changes in the physical provisioning of service are required. The loop is not removed and reconnected, there is no re-engineering -- there is no change whatsoever required at the central office or the customer's premises with respect to the the facilities serving the customer.

10. Ameritech has not made clear even what the other two charges are, much less how they might be justified. For example, the symbol 1CRJ1 is described as a flat-rate jack credit according to the USOC description guide list provided by Ameritech. But Ameritech imposes a charge, not a credit, of \$44.50 on MCI, with no further explanation, under this coding. The code USOC VIN is not found on any of the lists provided by Ameritech. After a diligent search, I found no non-recurring charges listed in Ameritech's Michigan resale tariff which correspond to either the \$44.50 charge or the \$45.00 charge. Moreover, these two charges have neither additional costs associated with them, nor analogs in the retail services Ameritech provides to its own ratepayers.

11. The appropriate service charge for switching a customer from retail to resale is Ameritech's \$8.35 retail charge for billing changes less the wholesale discount of 22 percent, for a wholesale charge of \$6.51 when customers change their accounts from Ameritech's retail service to MCI's resale of those services. Nevertheless, Ameritech continues to bill its competitors a \$131.50 non-recurring charge, reaping monopoly profits not permitted by the statute.

12. Ameritech thus disregards the clear statutory mandate that resale service be available to other service providers at retail rates less the avoided costs of sales, marketing, billing, collection and other avoided costs.

13. By imposing non-recurring charges more than twenty times higher than they should be, Ameritech erects a huge barrier to entry, and deters MCI's use of resale as a strategy to enter the local services market, thereby imposing unreasonable and discriminatory conditions on MCI resale of Ameritech services and unreasonably limiting the resale of Ameritech services.

Interim Discount

14. The wholesale discount was determined in MCI's arbitration with Ameritech Michigan on an interim basis. The Michigan Public Service Commission has since opened Case No. U-11280 to determine, among other things, a permanent wholesale discount. As of the date of this affidavit, there has been no decision by the Michigan Public Service Commission as to any of the issues in this case. Even the interim rate that has been set may not truly apply to resale efforts in the interim period, because it is potentially subject to true-up when the permanent rate is set. Thus, it has been, and remains, impossible to determine the cost of providing even simple resale service.

15. CLEC entry strategy and investment decisions must therefore be made without knowing the cost of doing business in Michigan as a reseller. This situation presents a serious obstacle for any potential entrant because it introduces additional risk.

16. Since a permanent discount has not been set, it is unknown. This significantly raises the cost of any investment and hampers the allocation of resources undertaken in the interim because it increases the uncertainty of recovering the investment. The possibility that the permanent discount could be lower than the interim discount discourages entry because it would be even more unprofitable than entry at the interim level. The possibility that the permanent


Ricca Affidavit
Page 6 of 6

discount might be higher cannot, however, encourage entry because it is neither certain nor predictable. The uncertainty of pricing has been a barrier to CLEC entry in the local service market of Ameritech Michigan.

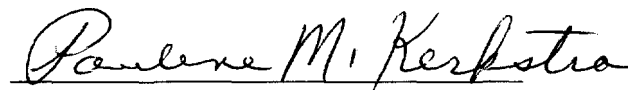
17. The failure of Ameritech Michigan to make permanent wholesale rates available to new entrants has acted as a barrier to MCI's entry into the local service market in Michigan.

18. In summary, Ameritech's actions with respect to making its services available at wholesale rates to competitors has served to slow competitive entry into the local market place. Ameritech also continues to bill CLECs for inappropriate and duplicative non-recurring charges that have neither a cost foundation nor analogs in the retail charges Ameritech imposes on its own similarly situated customers, thus allowing Ameritech to circumvent the requirement that wholesale rates be set at levels equal to retail prices less avoided costs.

I hereby swear, under penalty of perjury, that the foregoing is true and correct, to the best of my knowledge and belief.


Dennis L. Ricca

Subscribed and sworn before me this 4 of June, 1997.


Notary Public

My Commission expires: 8-29-99



DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Application of Ameritech)
Michigan Pursuant to Section)
271 of the Telecommunications)
Act of 1996 to Provide In-)
Region, InterLATA Services in)
Michigan)

CC Docket No. 97-137

Exhibit G:
Affidavit of Cari A. Sanborn
on Behalf of MCI Telecommunications Corporation

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Application of Ameritech Michigan)	
Pursuant to Section 271 of the)	CC Docket No. 97-137
Telecommunications Act of 1996 to)	
Provide In-Region, InterLATA)	
Services in Michigan)	

**AFFIDAVIT OF CARI A. SANBORN
on Behalf of MCI Telecommunications Corporation**

I, Cari A. Sanborn, being first duly sworn upon oath, do hereby depose and state as follows:

1. I am Vice President of Local Service Development, MCI Telecommunications Corporation. I am responsible for MCI's Local Network Planning and Engineering, Service Delivery CAP/Carrier Management, Information Systems Development for Local, Customer Facilities Management, and Local Capabilities Development. Part of my job is to make sure that the BOCs' provisioning systems work -- that MCI can get orders filled promptly, that MCI can get accurate order commitment dates, and that provisioning is handled in a predictable manner such that MCI and its customers can plan accordingly. In this capacity, I am very familiar with Ameritech's provisioning capabilities and policies.

2. Before taking on my present responsibilities for MCImetro, MCI's local initiative, I was Director of Friends & Family and Dial-1 Product Marketing in MCI's Consumer

Division from February 1992 to February 1994. Also on the long distance side of MCI's operations, I have been Director of Systems Engineering for Network Provisioning, Network Management, Trouble Management, and Asset Management Systems. In addition, I have held management positions with MCI in Switch Systems Engineering, Network Engineering, and Network Planning and Provisioning. I hold a Bachelor's degree in Electrical Engineering from the University of Oklahoma and an MBA in Finance and Investments from George Washington University.

3. The purpose of this affidavit is to explain how Ameritech falls short of full compliance with the competitive checklist contained in section 271(c)(2)(B) of the Telecommunications Act of 1996 ("Act"). My affidavit discusses the numerous checklist items that Ameritech has not yet implemented, or that it has implemented in a manner that is incomplete or otherwise not in compliance with the requirements of the Act.¹ I address these checklist items in the order that they are listed in the Act. There is one checklist item I wish to highlight here, however. Ameritech has failed to offer checklist item (vi), unbundled local switching, to any competing carrier. Ameritech acknowledges that it has not done so. As I discuss in detail below, access to unbundled local switching is a critical component of MCI's strategy for entry into local markets, and Ameritech's admitted failure to provide it raises a significant obstacle to our plans. Given the state of Ameritech's unbundled switching offering and other checklist offerings, it is my opinion that Ameritech's application for permission to offer long distance service in Michigan

¹I generally do not address Ameritech's pricing of checklist items or its operations support systems, which are addressed in the affidavits of Dr. August Ankum and Samuel King.

does not establish that Ameritech is actually providing all of the checklist items today in a manner that is fully consistent with the Act's requirements. This is primarily because Ameritech relies heavily upon unimplemented commitments in its interconnection agreements and demonstrates only limited actual experience with providing the checklist items.

4. I should note that MCI does have experience dealing as a CLEC with Ameritech. Principally because Ameritech has insisted upon non-negotiable limitation of liability language that would make many of Ameritech's contractual undertakings virtually unenforceable, MCI's interconnection agreement with Ameritech in Michigan is not yet approved. Nevertheless, through use of its own facilities, and by making use of Ameritech's tariffed offerings, MCI is currently offering local lines, local trunks, voice messaging services, and dedicated access services through one class 5 switch and two SONET rings in the Detroit area. MCI is also providing resold Ameritech local service on a trial basis. MCI also has experience with Ameritech's systems and business practices in other states in the Ameritech region. In the comments that follow, I rely as necessary on MCI's own experience in dealing with Ameritech to provide local service.

OVERVIEW

5. One fundamental problem with Ameritech's application is that there are many important checklist items -- unbundled switching, combinations of network elements, physical collocation, unbundled transport, and subloop elements, to name several -- that Ameritech has not yet provided to CLECs pursuant to its interconnection agreements. Chief among these is unbundled switching. True unbundled switching is critically necessary to the ability of any new entrant to provide widespread, facilities-based local exchange competition. Despite the claims made by Ameritech in the Edwards and Kocher affidavits, Ameritech has not offered true unbundled local switching to any CLEC until very recently and admittedly does not provide ULS to any competitor. And, as I discuss in detail below, even its current offering is deficient in numerous important respects. Ameritech's ULS offering remains untested and plagued by implementation problems and open issues. These shortcomings alone should foreclose any finding that Ameritech has satisfied the competitive checklist.

6. There are many other checklist items that Ameritech has not yet provided in volumes approaching those that will be requested when local competition truly arrives in Michigan. Ameritech cannot point to sufficient actual experience to show that it has fully implemented each item of the competitive checklist. Instead, Ameritech repeatedly relies on its interconnection agreements, particularly its agreements with AT&T and Sprint. But an agreement is no substitute for experience.

7. I believe that the existence of an agreement alone does not and cannot mean that the competitive checklist requirements are fully implemented, or even that they can

easily be implemented so as to make the purchase of elements and interconnection feasible.

Having a contract is just a start. The concept of unbundling local exchange networks is still new. Although Ameritech has taken some steps, there are still few experience-tested processes in place through which a CLEC can obtain these elements.

8. Actual experience is particularly important in a case like this, in which the subject matter of Ameritech's agreements involves practices with which the parties and the industry have little experience. No ILEC has yet provided all of the checklist items on a commercially significant scale. It is therefore critically important to evaluate what Ameritech has actually done, as opposed to what it says it can or will do. Experience is necessary, not only to verify Ameritech's ability to provide each checklist item, but to establish meaningful standards of performance so that Ameritech's compliance can be measured and enforced. An unimplemented agreement does not provide that experience.

9. Ameritech's interconnection agreements frequently postpone resolution of implementation issues until more experience has developed. Given the state of the systems that are needed to support pre-ordering, ordering, provisioning, billing, and maintenance and repair of checklist items, it is hardly surprising that on matter after matter Ameritech's interconnection agreements simply defer until a later date the difficult questions of implementation. As Samuel King discusses in detail in his affidavit, the necessary systems are, for the most part not there yet to support effective checklist compliance. But until those implementation questions are resolved, and Ameritech is providing all checklist items on a commercial scale, it is too soon to say Ameritech has achieved full implementation of the checklist.

10. Ameritech's interconnection agreements provide no more than a framework for resolving critical implementation issues through additional negotiation and the "Bona Fide Request" ("BFR") process. That does not necessarily mean the agreements are defective, just that more is needed before the checklist can be fully implemented. The BFR process is cumbersome and time-consuming, and provides ample opportunity for Ameritech to impose delays and raise additional hurdles. Ameritech's CLEC customers need a simple, routine process to obtain technically feasible elements and interconnection. The BFR process stands as a barrier to full implementation of those checklist items for which Ameritech requires it, such as directory assistance databases, subloop elements, and most combinations of elements. If technically feasible items like these must be ordered via BFR, the resulting delays will significantly impede the development of CLECs' business.

11. In some circumstances it is appropriate to agree to provide items through the BFR process, such as when there is a genuine issue of technical feasibility. However, given the nature of that process, it cannot be said that an item has been "fully implemented" if it is promised through BFR. To the contrary, there is no guarantee that an item reserved to the BFR process actually will be provided, no guarantee when it will be provided, and no guarantee about the quantity of the item that can be provided. Items to be provisioned in the future pursuant to BFR are therefore not implemented today.

12. Moreover, full implementation is hindered by the many performance standards that are absent from Ameritech's agreements or that the agreements leave to be negotiated case-by-case. In Schedule 9.10 of the AT&T and Sprint Michigan interconnection

agreements, for example, provisioning intervals are provided only for unbundled loops and unbundled transport, and many of those intervals are listed as “negotiated.” AT&T Sch. 9.10; Sprint Sch. 9.10. Likewise, trunk provisioning intervals for new tandem groups and large quantities are also listed as “negotiated.” AT&T Sch. 3.8; Sprint Sch. 3.8. For some checklist items, Ameritech provides no benchmarks at all. Ameritech states in its application that it will report on its performance, but the reports that it describes cover only interconnection trunking, unbundled loops, resale, and OSS. See Mickens Aff., ¶¶ 29-33. Although Ameritech states that it will report on its performance providing other items, Mickens Aff., ¶ 34, it does not claim that it has yet done so. The lack of performance reporting on many checklist items, as well as the lack of established standards for others, makes it virtually impossible for CLECs or the Commission to determine whether Ameritech currently furnishes or will provide those items in a manner that is consistent with the Act. Ameritech’s unimplemented promises are worth even less in the absence of meaningful performance standards.

13. Aside from the critical problems with Ameritech’s unbundled switching offering and the absence of experience demonstrating full implementation of many other checklist items, Ameritech’s interconnection agreements include provisions that are inconsistent with the Act. Even if all items were fully implemented, the checklist would not be met because of these shortcomings. Full compliance demands that competing carriers be able to obtain every item on the checklist efficiently and in a nondiscriminatory way. Ameritech’s interconnection agreements do not provide at all for access to certain items required under the checklist, and they provide for less than reasonable, nondiscriminatory access to other items. These failures are critically

important. Ameritech's competitors in the local markets must be able to obtain any technically feasible element, feature, or function that will enable them to provide competitive telecommunications services, including any technically feasible transmission arrangement, any technically feasible unbundled element or combination of elements, and any technically feasible switching function. Ameritech cannot satisfy the competitive checklist so long as the agreements it relies upon do not permit competing carriers to obtain all checklist items with the flexibility and efficiency needed to promote rapid competition.

INTERCONNECTION (Checklist Item (i))

14. MCI and other new entrants into local markets plan to interconnect with Ameritech using both physical and virtual collocation. MCI is not efficiently interconnected with Ameritech if it cannot collocate on fair and nondiscriminatory terms and conditions. Therefore, the duty to interconnect (checklist item (i)) includes the duty to permit collocation, and Ameritech has not yet fully implemented interconnection until it has fully implemented collocation. In addition, collocation is necessary in order for CLECs to obtain access to certain unbundled elements; for example, unbundled loops are most efficiently accessed via collocation. Therefore, the duty to provide unbundled elements (checklist item (ii)) and the duty to provide unbundled loops (checklist item (iv)) also encompass the duty to provide collocation.

15. Physical collocation is frequently preferred by CLECs because it is generally the most efficient means of interconnection with the ILEC's network and, in contrast to virtual collocation, it allows the CLEC to retain some control over the collocated equipment.

Ameritech does not claim that it is now furnishing physical collocation to any CLEC pursuant to its interconnection agreements. See Mayer Aff., ¶ 73 (stating that Ameritech is currently “processing” several physical collocation orders). The lack of operational physical collocations reflects the fact that, despite Ameritech’s completed interconnection agreements, Ameritech’s processes for implementation of physical collocation have not yet been fully developed and standardized.

16. In some respects, Ameritech has resisted the establishment of important standards. Although CLECs need fixed intervals for physical collocation so they can plan effectively and so they can measure ILECs’ performance, Ameritech has insisted on negotiating installation intervals on a case-by-case basis. See Mayer Aff., ¶ 71. Moreover, Ameritech reserves to itself the option of modifying the negotiated intervals if it determines that more time is needed. Id. That option, of course, provides ample opportunity for Ameritech to delay installation of its new competitors’ collocated equipment. Even assuming the best of faith, whether Ameritech will be successful in consistently meeting reasonable installation intervals remains to be seen until a body of past experience has been accumulated.

17. Although Ameritech has made somewhat greater progress in providing virtual collocation than physical collocation, Ameritech’s experience with virtual collocation is still paltry. Ameritech has a total of 442 central office switches in Michigan. Thus, although Ameritech states that CLECs have virtually collocated in 37 end offices in Michigan, Edwards Aff., ¶ 23; Mayer Aff., ¶ 73, these 37 collocations represent less than 5% of the total collocations needed to access all of the unbundled loops in the state. Ameritech claims that through these

collocations (and others still in progress) CLECs could reach 34% of Michigan's access lines -- if CLECs augment the capacity of their collocated equipment. Edwards Aff., ¶ 23. Notably missing from this claim, however, is any indication that Ameritech has the space to accommodate such augmentation of CLECs' capacity. Without that information, Ameritech's claim is purely theoretical and depends wholly upon Ameritech's discretion in allocating collocation space. Many more collocations are needed before any CLEC can compete on the scale Ameritech mentions. Although full implementation of collocation does not require that each and every CLEC be collocated in each and every end office, full implementation of collocation does require that Ameritech develop enough experience with both physical and virtual collocation that CLECs and regulators can tell that the system is working and can hold Ameritech accountable if its performance deteriorates. That point has not been reached.

18. Finally, with respect to interconnection trunking, I should note that the representations in Ameritech's application do not reflect MCI's actual experience obtaining interconnection trunks from Ameritech. Although Ameritech states that CLECs may request two-way interconnection trunks, Edwards Aff., ¶ 39; Mayer Aff., ¶ 16, Ameritech has not furnished any two-way trunks to MCI despite MCI's specific requests. In fact, Ameritech's evidence shows that all of the interconnection trunks furnished by Ameritech to all CLECs as of March 31, 1997, were one-way trunks. See Mayer Aff., ¶ 47. If two-way trunks are not truly available to CLECs, this is a significant limitation. Two-way trunking is more efficient and less costly than one-way trunking, and therefore would allow CLECs to bring competition to the local market more quickly and effectively.

UNBUNDLED NETWORK ELEMENTS
(Checklist Item (ii))

19. The Act requires Ameritech to provide nondiscriminatory access to unbundled network elements at any technically feasible point. 47 U.S.C. § 251(c)(3). These elements must be provided, moreover, in any technically feasible combination. 47 C.F.R. § 51.315. Ameritech has failed to satisfy fully these requirements, particularly with respect to subloop elements, combinations of network elements, and directory assistance databases. I will address each of these in turn.

A. Subloops

20. There is no question that it is technically feasible for Ameritech to provide unbundled access to subloop elements at the feeder/distribution interface. Indeed, Ameritech has not argued that subloop unbundling is technically infeasible.

21. However, Ameritech states only that it will “consider” providing access to unbundled subloop elements (feeder and distribution) and that it will do so only through the BFR process. Edwards Aff., ¶ 88; see Mayer Aff., ¶ 157. Although some process for determining prices and intervals for provisioning particular subloops is appropriate, the BFR process is overly time-consuming and costly and will unreasonably impair CLECs’ access to unbundled subloops. Given that subloop unbundling is concededly technically feasible, a more streamlined application process should be used for subloop ordering. Ameritech’s use of the BFR process here is improper.